

GUNNISON CITY
FINANCIAL STATEMENTS
JUNE 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Gunnison City
Gunnison, Utah 84634

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gunnison City as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gunnison City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

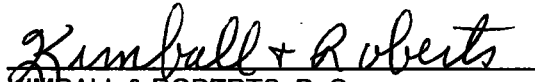
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gunnison City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2005, on our consideration of Gunnison City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 15 and 48 through 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and City Council
Gunnison City

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gunnison City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of Gunnison City. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

October 14, 2005
Richfield, Utah

GUNNISON CITY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

This discussion of Gunnison City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2005. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and public improvements, parks and recreation.

Financial Highlights

- * The assets of Gunnison City exceeded its liabilities as of the close of the most recent year by \$6,751,990 (net assets). Of this amount, \$848,764 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$1,001,524. The revenues were less than the adopted budgeted amounts, and expenditures were more than the adopted budgeted amounts.
- * At the close of the current year, the Gunnison City governmental funds reported ending fund balance of \$449,336, an increase of \$2,061 in comparison with the prior year. Approximately 45 percent of this total amount, \$200,376, is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$77,788, or 11 percent of total general fund expenditures.
- * Gunnison City's total debt decreased by \$89,326 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Gunnison City's basic financial statements. Gunnison City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Gunnison City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Gunnison City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Gunnison City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Gunnison City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Gunnison City include general government, public health, highways and parks and recreation. The business-type activities of Gunnison City are the irrigation service, water, sewer and garbage services.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Gunnison City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Gunnison City can be divided into three categories: governmental funds, enterprise funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Gunnison City maintains four governmental funds; 1) the general fund, which is always a major fund; 2) the capital improvement fund, 3) swimming pool special revenue fund and; 4) perpetual care fund.

Gunnison City adopts an annual appropriated budget for all its governmental funds. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget for the general fund and major special revenue fund.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Gunnison City maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Gunnison City uses an enterprise fund to account for its; 1) irrigation operations and; 2) water, sewer and garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The two enterprise funds are considered major funds of Gunnison City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Gunnison City.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Gunnison City, assets exceeded liabilities by \$6,751,990 at the close of the most recent fiscal year.

By far the largest portion of Gunnison's net assets (84 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. Gunnison uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Gunnison's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Gunnison City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	471,554	452,904	681,761	658,435	1,153,315	1,111,339
Capital Assets	<u>3,369,058</u>	<u>3,456,234</u>	<u>4,470,762</u>	<u>3,573,190</u>	<u>7,839,820</u>	<u>7,029,424</u>
Total Assets	<u>3,840,612</u>	<u>3,909,138</u>	<u>5,152,523</u>	<u>4,231,625</u>	<u>8,993,135</u>	<u>8,140,763</u>
Long-Term Liabilities	1,395,250	1,454,250	763,478	807,130	2,158,728	2,261,380
Other Liabilities	<u>57,384</u>	<u>48,668</u>	<u>25,033</u>	<u>96,300</u>	<u>82,417</u>	<u>144,968</u>
Total Liabilities	<u>1,452,634</u>	<u>1,502,918</u>	<u>788,511</u>	<u>903,430</u>	<u>2,241,145</u>	<u>2,406,348</u>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	1,952,808	1,987,844	3,701,458	2,766,060	5,654,266	4,753,904
Restricted	248,960	220,000	-	55,218	248,960	275,218
Unrestricted	<u>186,210</u>	<u>198,376</u>	<u>662,554</u>	<u>506,917</u>	<u>848,764</u>	<u>705,293</u>
Total Net Assets	<u>2,387,978</u>	<u>2,406,220</u>	<u>4,364,012</u>	<u>3,328,195</u>	<u>6,751,990</u>	<u>5,734,415</u>

A portion of Gunnison City's net assets (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$848,764, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Gunnison City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities decreased Gunnison City's net assets by \$34,293. Key elements of this decrease follows:

Gunnison City's Changes in Net Assets						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program Revenues:						
Charges for Services	175,200	392,137	513,552	505,859	688,752	897,996
Operating Grants	151,298	197,265	-	-	151,298	197,265
Capital Grants	-	-	900,000	165,821	900,000	165,821
General Revenues:						
Property Taxes	77,181	71,946	-	-	77,181	71,946
Other Taxes	497,666	336,057	-	-	497,666	336,057
Grants and Contributions						
Not Restricted to Specific Programs	-	-	-	-	-	-
Unrestricted Investment						
Earnings	9,246	4,332	12,944	19,328	22,190	23,660
Other	-	-	40,685	22,123	40,685	22,123
Total Revenues	910,591	1,001,737	1,467,181	713,131	2,377,772	1,714,868
Expenses:						
General Government	200,108	167,636	-	-	200,108	167,636
Public Safety	239,619	234,423	-	-	239,619	234,423
Highways	203,321	307,485	-	-	203,321	307,485
Parks and Recreation	273,576	252,495	-	-	273,576	252,495
Interest on Long-Term Debt	28,260	28,700	-	-	28,260	28,700
Irrigation Fund Operations	-	-	52,862	22,773	52,862	22,773
Water, Sewer and Garbage	-	-	378,502	458,976	378,502	458,976
Total Expenses	944,884	990,739	431,364	481,749	1,376,248	1,472,488
Increase in Net Assets	(34,293)	10,998	1,035,817	231,382	1,001,524	242,380
Net Assets - Beginning	2,422,271	2,422,271	3,328,195	3,096,813	5,750,466	5,519,084
Net Assets - Ending	2,387,978	2,433,269	4,364,012	3,328,195	6,751,990	5,761,464

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased Gunnison City's net assets by \$1,035,817, accounting for 103 percent of the growth in the government's net assets. Key elements of the changes are shown above.

Financial Analysis of the Government's Funds

As noted earlier, Gunnison City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Gunnison City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing Gunnison City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Gunnison City's governmental funds reported ending fund balances of \$449,336 an increase of \$2,061 in comparison with the prior year. Approximately 45 percent of this amount, \$200,376 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to highways and public improvements, \$200,000; 2) bond reserves, \$48,960.

The general fund is the chief operating fund of Gunnison City. At the end of the current year, unreserved fund balance of the general fund was \$77,778, while total fund balance reached \$277,788. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11 percent of total general fund expenditures, while total fund balance represents 40 percent of that same amount.

Proprietary Funds

Gunnison City's proprietary funds provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year was \$662,554. Other factors concerning the finances of this fund has already been addressed in the discussion of Gunnison City's business type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of \$120,430 can be briefly summarized as follows:

- * \$33,815 increase in general government.
- * \$34,869 increase in public safety.
- * \$13,950 decrease in highways & public improvements.
- * \$28,607 increase in culture and recreation.
- * \$67,729 increase in transfer to special revenue fund.

Of this increase, \$115,522 was funded out of prior year unreserved fund balance. At year end actual revenues were less than budgeted revenues by \$77,710, and actual expenditures were more than budgeted expenditures by \$16,552, resulting in a decrease to fund balance of \$94,262.

Capital Asset and Debt Administration

Capital Assets

Gunnison City's investment in capital assets for its governmental activities as of June 30, 2005, was \$3,369,058 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways and sidewalks. The total increase in Gunnison City's investment in capital assets for the current year was \$93,400. Major capital asset events during the current year included the following:

* Land \$33,400, * Fire Truck \$25,000. * Pavilion on the park \$35,000.

Gunnison City's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	101,439	68,039	-	-	101,439	68,039
Water Shares			345,000	345,000	345,000	345,000
Infrastructure	712,814	800,465	-	-	712,814	800,465
Buildings	2,232,311	2,256,021	3,791	4,300	2,236,102	2,260,321
Improvements Other than Buildings	56,745	57,935	3,135,196	1,949,522	3,191,941	2,007,457
Equipment	265,749	273,774	30,724	37,392	296,473	311,166
Construction-in-Progress	-	-	956,051	1,236,976	956,051	1,236,976
Total	<u>3,369,058</u>	<u>3,456,234</u>	<u>4,470,762</u>	<u>3,573,190</u>	<u>7,839,820</u>	<u>7,029,424</u>

Additional information on Gunnison City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, Gunnison City had total long-term debt outstanding of \$2,186,220. The debt represents compensated absences at June 30, 2005 of \$14,166, revenue bonds of \$697,000, general obligation recreation bonds of \$1,418,000 and notes payable of \$57,054.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Long-Term Debt	<u>1,416,916</u>	<u>1,467,098</u>	<u>769,304</u>	<u>807,130</u>	<u>2,186,220</u>	<u>2,274,228</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the City. The current debt limitation for the City is approximately \$7,500,000.00, general obligation debt outstanding at June 30, 2005 was \$1,418,000.

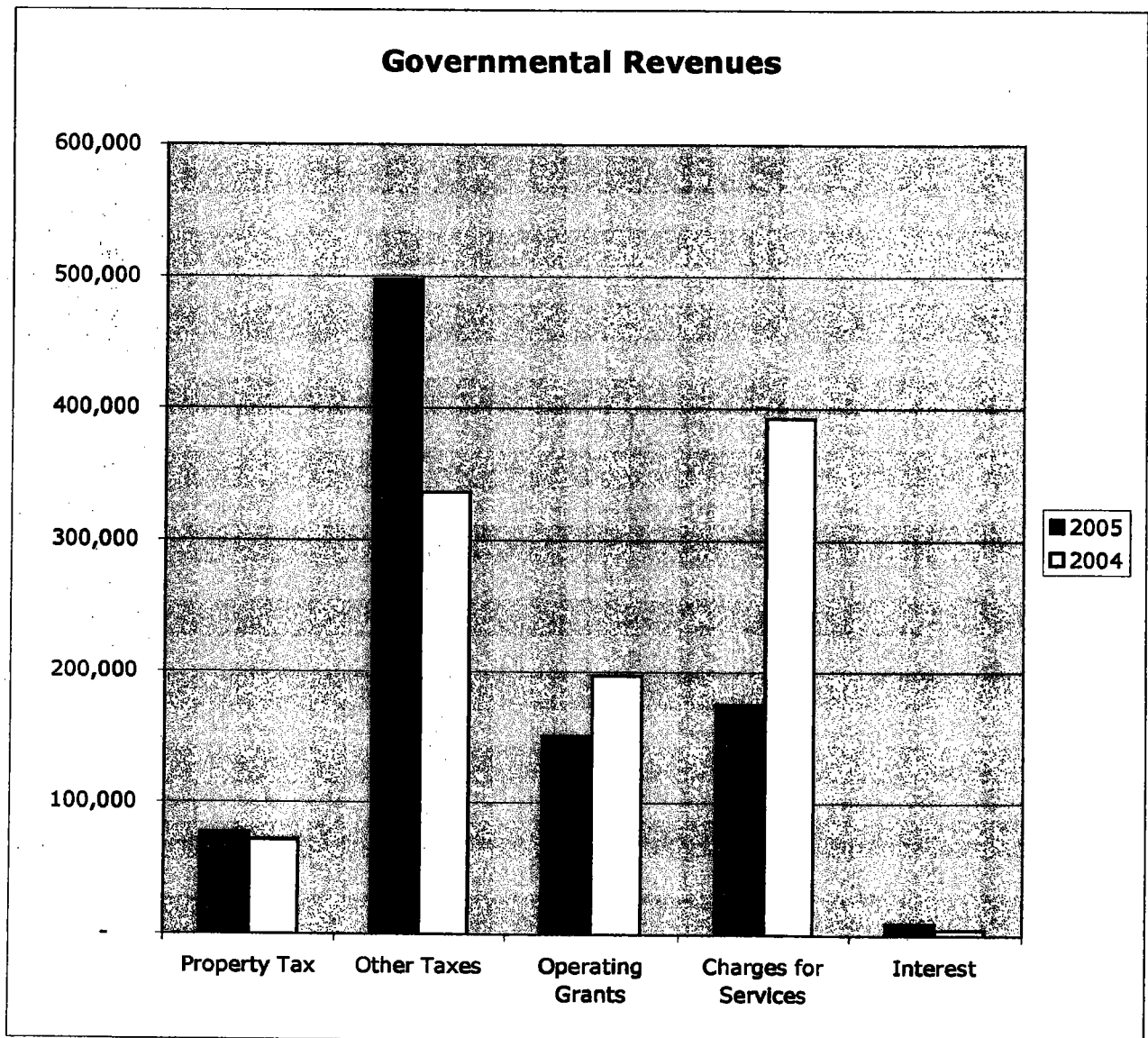
Additional information on the City's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Gunnison City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Gunnison City Recorder, 38 W. Center, P.O. Box 790, Gunnison, Utah, 84634.

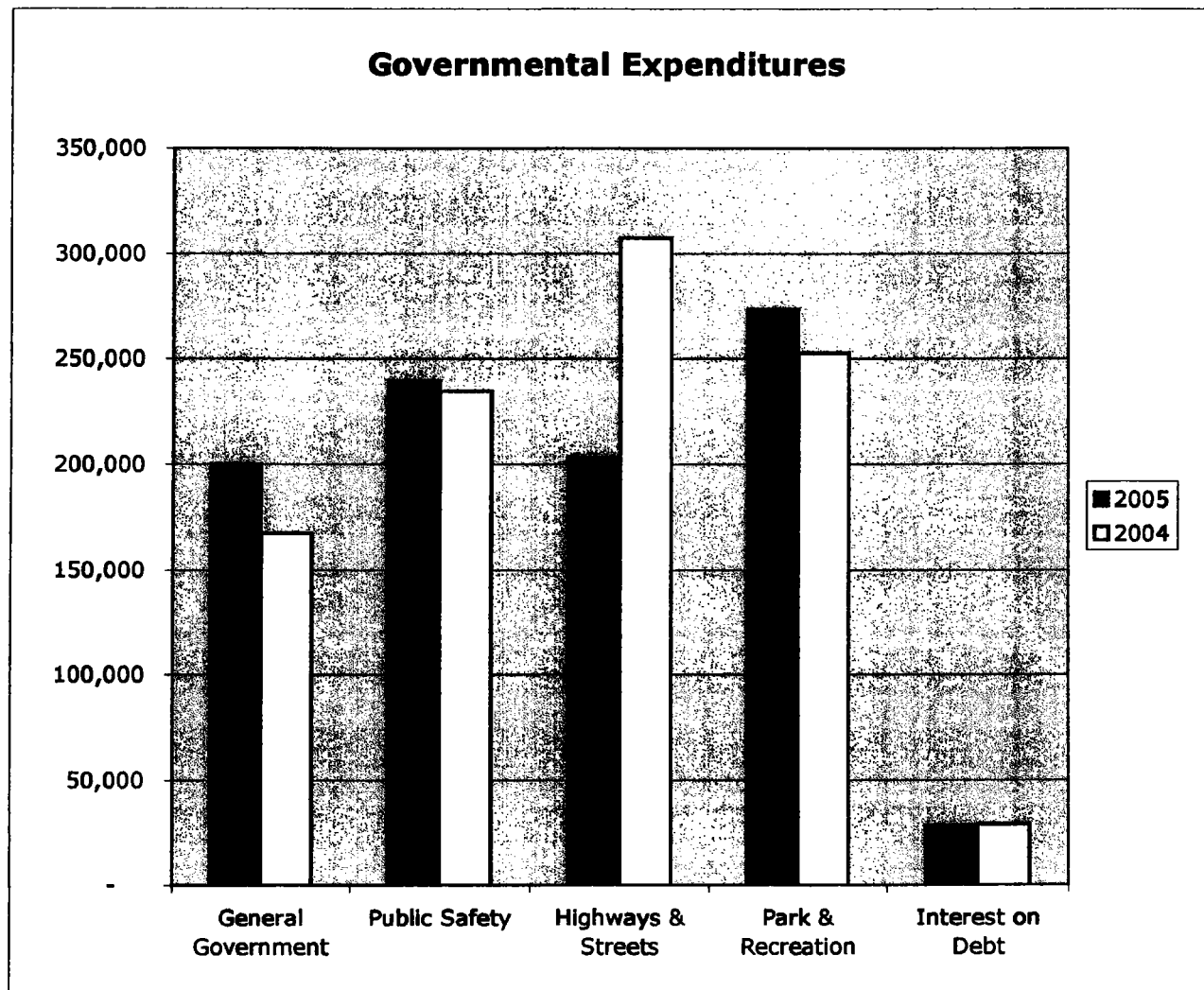
**Gunnison City
Governmental Revenues
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Property Tax	77,181	71,946
Other Taxes	497,666	336,057
Operating Grants	151,298	197,265
Charges for Services	175,200	392,137
Interest	9,246	4,332
Total Revenues	910,591	1,001,737



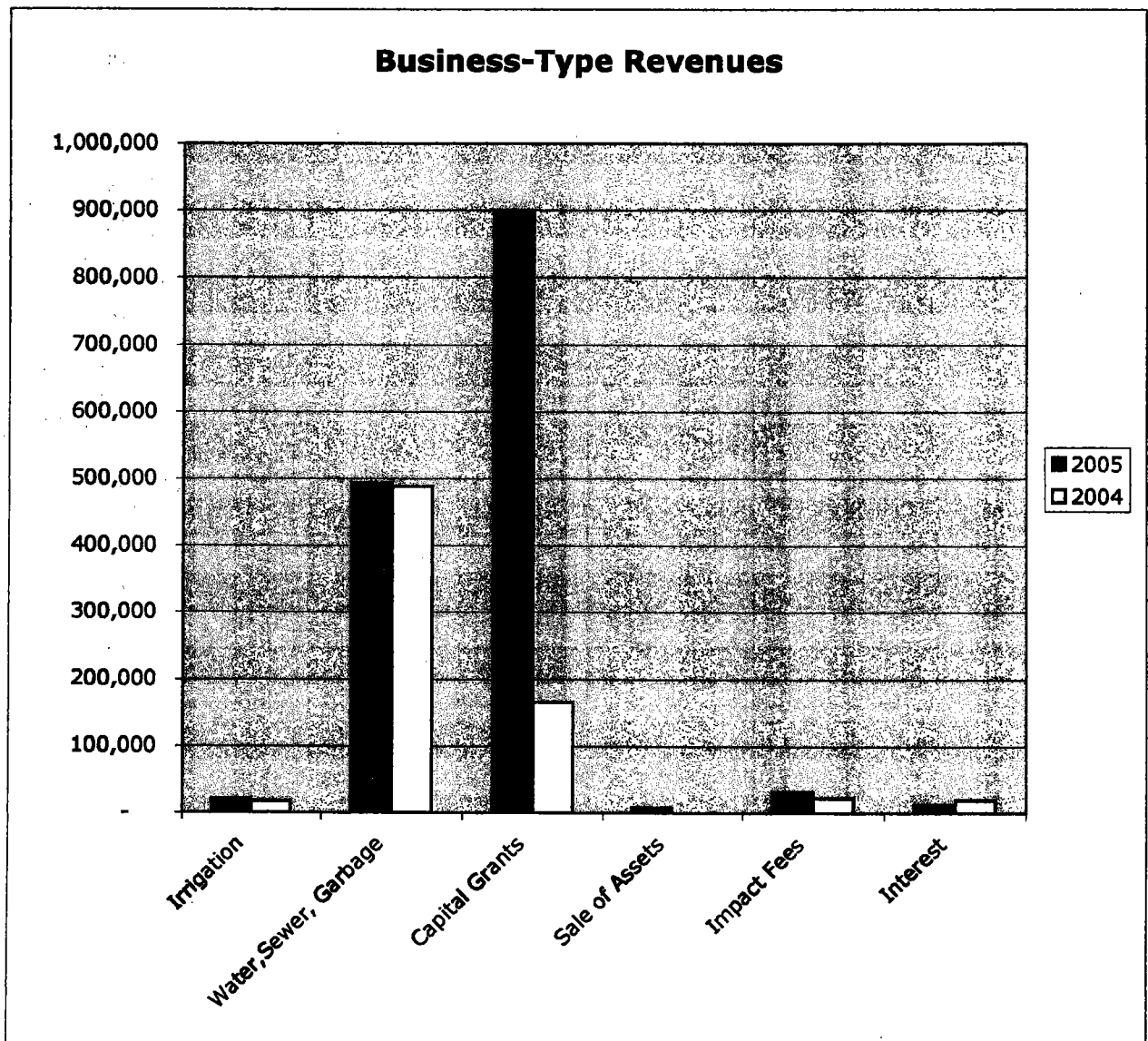
**Gunnison City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
General Government	200,108	167,636
Public Safety	239,619	234,423
Highways & Streets	203,321	307,485
Park & Recreation	273,576	252,495
Interest on Debt	28,260	28,700
Total Expenditures	944,884	990,739



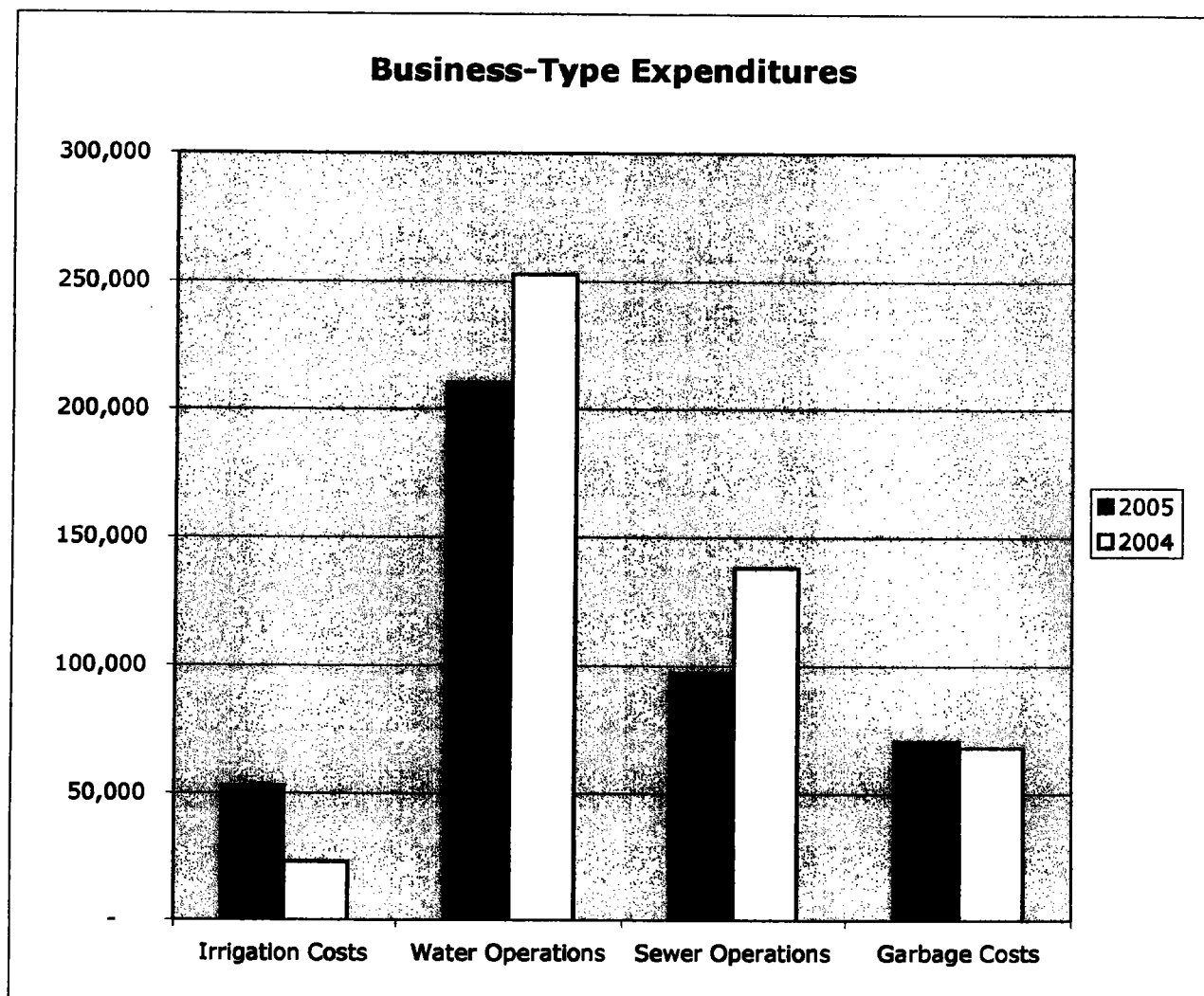
**Gunnison City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Irrigation	20,315	17,736
Water, Sewer, Garbage	493,237	488,123
Capital Grants	900,000	165,821
Sale of Assets	8,120	-
Impact Fees	32,565	22,123
Interest	12,944	19,328
Total Revenues	1,467,181	713,131



Gunnison City
Business Type Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004

	2005	2004
Irrigation Costs	52,862	22,772
Water Operations	210,372	252,655
Sewer Operations	97,503	138,269
Garbage Costs	70,627	68,053
Total Expenditures	431,364	481,749



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BASIC FINANCIAL STATEMENTS

**GUNNISON CITY
STATEMENT OF NET ASSETS**

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	400,568	592,454	993,022
Accounts Receivable (Net)	2,113	89,307	91,420
Due From Other Government Units	19,913	-	19,913
Total Current Assets	422,594	681,761	1,104,355
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	48,960	-	48,960
Capital Assets (Net of Accumulated Depreciation):			
Land	101,439	-	101,439
Water Shares	-	345,000	345,000
Buildings	2,232,311	3,791	2,236,102
Improvements Other Than Buildings	56,745	3,135,196	3,191,941
Equipment	24,290	30,724	55,014
Vehicles	241,459	-	241,459
Infrastructure	712,814	-	712,814
Construction In Progress	-	956,051	956,051
Total Noncurrent Assets	3,418,018	4,470,762	7,888,780
TOTAL ASSETS	3,840,612	5,152,523	8,993,135
LIABILITIES			
Current Liabilities:			
Accounts Payable	22,218	19,207	41,425
Bond Interest Payable	13,500	-	13,500
Notes Payable - Due Within One Year	7,500	5,826	13,326
General Obligation Bonds - Due Within One Year	35,000	-	35,000
Revenue Bonds Payable - Due Within One Year	10,000	32,000	42,000
Total Current Liabilities	88,218	57,033	145,251
Noncurrent Liabilities:			
Notes Payable - More Than One Year	26,250	17,478	43,728
General Obligation Bonds - More Than One Year	669,000	714,000	1,383,000
Revenue Bonds Payable - More Than One Year	655,000	-	655,000
Compensated Absences	14,166	-	14,166
Total Noncurrent Liabilities	1,364,416	731,478	2,095,894
TOTAL LIABILITIES	1,452,634	788,511	2,241,145
NET ASSETS			
Investment in Capital Assets, Net of Debt	1,952,808	3,701,458	5,654,266
Restricted For:			
Bond Retirement	48,960	-	48,960
Class C Roads	200,000	-	200,000
Unrestricted	186,210	662,554	848,764
TOTAL NET ASSETS	2,387,978	4,364,012	6,751,990
TOTAL LIABILITIES NET ASSETS	3,840,612	5,152,523	8,993,135

The notes to the financial statements are an integral part of this statement.

**GUNNISON CITY
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2005

Function/Programs Primary Government:	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Primary Government	
					Governmental Activities	Business-Type Activities Total
Governmental Activities:						
General Government	200,108	77,037	3,500	-	(119,571)	(119,571)
Public Safety	239,619	270	53,409	-	(185,940)	(185,940)
Highways and Public Improvements	203,321	-	90,561	-	(112,760)	(112,760)
Park and Recreation	273,576	97,893	3,828	-	(171,855)	(171,855)
Interest on Long-Term Debt	28,260	-	-	-	(28,260)	(28,260)
Total Governmental Activities	944,884	175,200	151,298	-	(618,386)	(618,386)
Business-Type Activities:						
Water, Sewer and Garbage Fund	378,502	493,237	-	-	-	114,735
Irrigation Fund	52,862	20,315	-	900,000	-	867,453
Total Business-Type Activities	431,364	513,552	-	900,000	982,188	982,188
Total Primary Government	1,376,248	688,752	151,298	900,000	(618,386)	363,802
General Revenues:						
Property Taxes		77,181			77,181	77,181
Fee-In-Lieu of Property Taxes		22,960			22,960	22,960
Sales Taxes		329,496			329,496	329,496
Franchise Fees		145,210			145,210	145,210
Impact Fees		-			32,565	32,565
Sale of Assets		-			8,120	8,120
Unrestricted Investment Earnings		9,246			12,944	22,190
Total General Revenues and Transfers		584,093			53,629	637,722
Change in Net Assets		(34,293)			1,035,817	1,001,524
Net Assets - Beginning		2,422,271			3,328,195	5,750,466
Net Assets - Ending		2,387,978			4,364,012	6,751,990

The notes to the financial statements are an integral part of this statement.

**GUNNISON CITY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	275,692	31,158	142,678	449,528
Accounts Receivable (Net)	2,113	-	-	2,113
Due From Other Government Units	19,913	-	-	19,913
TOTAL ASSETS	<u>297,718</u>	<u>31,158</u>	<u>142,678</u>	<u>471,554</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	19,930	2,288	-	22,218
Total Liabilities	<u>19,930</u>	<u>2,288</u>	<u>-</u>	<u>22,218</u>
Fund Balances:				
Reserved For:				
Class C Road	200,000	-	-	200,000
Bond Reserves	-	48,960	-	48,960
Unreserved, Reported In:				
General Fund	77,788	-	-	77,788
Special Revenue Funds	-	(20,090)	-	(20,090)
Capital Project Fund	-	-	125,031	125,031
Perpetual Care	-	-	17,647	17,647
Total Fund Balance	<u>277,788</u>	<u>28,870</u>	<u>142,678</u>	<u>449,336</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>297,718</u>	<u>31,158</u>	<u>142,678</u>	<u>471,554</u>

The notes to the financial statements are an integral part of this statement.

GUNNISON CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2005

Total Fund Balances - Governmental Fund Types	449,336
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	101,439	
Buildings	2,232,311	
Improvements Other Than Buildings	56,745	
Equipment	24,290	
Vehicles	241,459	
Infrastructure	<u>712,814</u>	
 Total		 3,369,058

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Interest Payable	(13,500)	
Notes Payable	(33,750)	
Bonds Payable	(1,369,000)	
Compensated Absences	<u>(14,166)</u>	
 Total		 <u>(1,430,416)</u>

Net Assets of Government Activities	<u><u>2,387,978</u></u>
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GUNNISON CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2005

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	429,637	145,210		574,847
Licenses and Permits	13,503	-	-	13,503
Intergovernmental Revenue	151,298	10,000	-	161,298
Charges for Services	18,691	39,465	-	58,156
Fines and Forfeitures	23,693	-	-	23,693
Interest	8,628	618	-	9,246
Miscellaneous Revenues	66,841	1,411	1,596	69,848
Total Revenues	<u>712,291</u>	<u>196,704</u>	<u>1,596</u>	<u>910,591</u>
Expenditures:				
Current:				
General Government	187,162	-	-	187,162
Public Safety	210,291	-	-	210,291
Highways and Public Improvements	113,410	-	-	113,410
Parks and Recreation	87,560	136,947	-	224,507
Capital Outlay	93,400	-	-	93,400
Debt Service:				
Principal	-	51,500	-	51,500
Interest	-	28,260	-	28,260
Total Expenditures	<u>691,823</u>	<u>216,707</u>	<u>-</u>	<u>908,530</u>
Excess of Revenues Over (Under) Expenditures	20,468	(20,003)	1,596	2,061
Other Financing Sources (Uses):				
Transfers In (Out)	<u>(114,729)</u>	<u>-</u>	<u>114,729</u>	<u>-</u>
Net Change In Fund Balance	(94,261)	(20,003)	116,325	2,061
Fund Balance - Beginning	<u>372,049</u>	<u>48,873</u>	<u>26,353</u>	<u>447,275</u>
Fund Balance - Ending	<u><u>277,788</u></u>	<u><u>28,870</u></u>	<u><u>142,678</u></u>	<u><u>449,336</u></u>

The notes to the financial statements are an integral part of this statement.

GUNNISON CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	2,061
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital Outlays	93,400	
Depreciation	<u>(180,576)</u>	
Total		(87,176)

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Notes Payable	7,500	
General Obligation Bonds	34,000	
Revenue Bonds	<u>10,000</u>	
Total		51,500

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences	(1,318)	
Decrease in Interest Payable	<u>640</u>	
Total		<u>(678)</u>

Changes In Net Assets of Governmental Activities	<u><u>(34,293)</u></u>
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**GUNNISON CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPES**

June 30, 2005

	Business-Type Activity Enterprise Fund		
	Water, Sewer and Garbage Fund	Pressurized Irrigation Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	539,295	4,199	543,494
Accounts Receivable	49,468	39,839	89,307
Total Current Assets	588,763	44,038	632,801
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted:			
Bond Reserves	48,960	-	48,960
Capital Assets: (Net of Accumulated Depreciation)			
Water Rights	-	345,000	345,000
Buildings	3,791	-	3,791
Improvements Other Than Buildings	1,503,898	1,631,298	3,135,196
Machinery and Equipment	30,724	-	30,724
Construction In Progress	956,051	-	956,051
Total Noncurrent Assets	2,543,424	1,976,298	4,519,722
TOTAL ASSETS	3,132,187	2,020,336	5,152,523
LIABILITIES:			
Current Liabilities:			
Accounts Payable	16,247	2,960	19,207
Note Payable - Due Within One Year	-	5,826	5,826
Bonds Payable - Due Within One Year	25,000	7,000	32,000
Total Current Liabilities	41,247	15,786	57,033
Noncurrent Liabilities:			
Note Payable - More Than One Year	-	17,478	17,478
Bonds Payable - More Than One Year	258,000	456,000	714,000
Total Noncurrent Liabilities	258,000	473,478	731,478
TOTAL LIABILITIES	299,247	489,264	788,511
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	2,211,464	1,489,994	3,701,458
Restricted for Bond Reserves	48,960	-	48,960
Unrestricted	572,516	41,078	613,594
TOTAL LIABILITIES AND NET ASSETS	2,832,940	1,531,072	4,364,012
TOTAL NET ASSETS	3,132,187	2,020,336	5,152,523

The notes to the financial statements are an integral part of this statement.

GUNNISON CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES

June 30, 2005

	Business-Type Activity Enterprise Fund		
	Water, Sewer and Garbage Fund	Pressurized Irrigation Fund	Total
Operating Revenues:			
Charges for Sales and Services:			
Water	211,301	13,277	224,578
Sewer	184,242	-	184,242
Sanitation	75,630	-	75,630
Connection Fees	5,000	2,250	7,250
Other	17,064	4,788	21,852
Total Operating Revenues	<u>493,237</u>	<u>20,315</u>	<u>513,552</u>
Operating Expenses:			
Salaries	116,824	1,851	118,675
Fringe Benefits	37,235	542	37,777
Materials and Supplies	44,573	12,051	56,624
Sanitation Fees	70,627	-	70,627
Utilities	31,220	58	31,278
Insurance	4,044	500	4,544
Professional and Technical	16,967	-	16,967
Other	719	-	719
Depreciation	56,293	33,160	89,453
Total Operating Expenses	<u>378,502</u>	<u>48,162</u>	<u>426,664</u>
Operating Income	<u>114,735</u>	<u>(27,847)</u>	<u>86,888</u>
Nonoperating Revenues (Expenses):			
Interest Expense	-	(4,700)	(4,700)
Interest Earned	6,971	5,973	12,944
Impact Fees	9,205	23,360	32,565
Sale of Assets	-	8,120	8,120
State of Utah - Sewer Reimbursement	900,000	-	900,000
Total Nonoperating Revenues (Expenses)	<u>916,176</u>	<u>32,753</u>	<u>948,929</u>
Change in Net Assets	1,030,911	4,906	1,035,817
Total Net Assets - Beginning	<u>1,802,029</u>	<u>1,526,166</u>	<u>3,328,195</u>
Total Net Assets - Ending	<u>2,832,940</u>	<u>1,531,072</u>	<u>4,364,012</u>

The notes to the financial statements are an integral part of this statement.

**GUNNISON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise Fund		
	Water, Sewer and Garbage Fund	Pressurized Irrigation Fund	Total
Cash Flows From Operating Activities:			
Receipts From Customers	495,534	53,764	549,298
Payments to Suppliers	(215,764)	(79,865)	(295,629)
Payments to Employees	(116,824)	(1,851)	(118,675)
Net Cash Provided by Operating Activities	162,946	(27,952)	134,994
Cash Flows From Capital and Related Financing Activities:			
Impact Fees	9,205	23,360	32,565
Capital Grants	900,000	-	900,000
Interest Payment On Long-Term Debt	-	(4,700)	(4,700)
Principal Payment On Long-Term Debt	(25,000)	(12,826)	(37,826)
Sale of Assets	-	8,120	8,120
Construction In Progress	(956,051)	(30,974)	(987,025)
Net Cash Provided (Used) by Capital and Related Financing Activities	(71,846)	(17,020)	(88,866)
Cash Flows from Investing Activities:			
Interest Earned on Investments	6,971	5,973	12,944
Net Cash Provided (Used) by Investing Activities	6,971	5,973	12,944
Net Increase (Decrease) in Cash and Cash Equivalents	98,071	(38,999)	59,072
Cash and Cash Equivalents - Beginning	490,184	43,198	533,382
Cash and Cash Equivalents - Ending	588,255	4,199	592,454
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:			
Operating Income	114,735	(27,847)	86,888
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:			
Depreciation	56,293	33,160	89,453
Increase (Decrease) In Operating Assets:			
Accounts Receivable	2,297	33,449	35,746
Accrued Liabilities	(10,379)	(66,714)	(77,093)
Total Adjustments	48,211	(105)	48,106
Net Cash Provided (Used) by Operating Activities	162,946	(27,952)	134,994

The notes to the financial statements are an integral part of this statement.

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Gunnison City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

A. Reporting Entity

Gunnison City is a municipal corporation in Sanpete County, Utah. It is governed by an elected mayor and five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Gunnison City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Gunnison City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund: The Special Revenue Fund accounts for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

The Government also reports the following Other Governmental Funds:

Capital Projects Fund - These funds account for revenue sources that are restricted to expenditures for specific purposes.

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Government reports the following Proprietary Funds:

The Irrigation Fund and the Water, Sewer and Garbage Fund accounts for the activities of the City utility funds operation. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Irrigation Fund and the Water, Sewer and Garbage Fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Water System	40 - 50 Years
Buildings	30 Years
Vehicles	5 Years
Equipment	5 - 10 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing (no time period given for towns) in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction. The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the City Council in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the City Council makes final adjustments to the tentative budget.
4. On or before June 22, the City Council adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The City Council may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the City Council.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the City Council.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Fiscal Procedures Act for Utah Towns require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

F. Property Tax Calendar:

- | | |
|-------------|--|
| January 1 | Lien Date - All property appraised based upon situs and status as of this date (real and personal). |
| March 1 | Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice. |
| June 22 | All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor. |
| July 22 | County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices. |
| September 1 | State Tax Commission approves tax rates. |
| November 1 | County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit. |
| November 1 | County auditor to charge the county treasurer to account for all taxes levied. |
| November 1 | County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings. |
| November 30 | Taxes on real property become delinquent. |

G. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2005 consist of the following:

	<u>Fair Value</u>
Demand Deposits - Checking	706,076
Investment - PTIF	<u>335,906</u>
Total Cash and Investments	<u><u>1,041,982</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	400,568
Governmental Activities - Restricted	48,960
Business-Type Activities	<u>592,454</u>
Total Cash and Cash Equivalents	<u><u>1,041,982</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that City funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risk:

The City maintains no investment policy containing any specific provisions intended to limit the City's exposure to interest rate risk, credit risk and concentration of credit risk other than that imposed by UMMA. The City's compliance with the provisions of UMMA addressed each of these risks.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investment of the City are available immediately.

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. Of the City's demand deposits, \$100,000 are covered by FDIC insurance.

Custodial credit risk for investment is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVES

Bond Fund:

Each month the City is required to deposit into the Bond Fund one-twelfth of the amount of the principal and interest, if any, due on the bond on the next succeeding payment date.

Reserve Fund:

Beginning the next month following the month in which the first bond is issued, the City is required to deposit into the Reserve Fund \$680 each month for 72 months until it reached a maximum of \$48,960, which is the maximum annual installment of principal and interest on the bond. The balance at June 30, 2005 was \$48,960.

NOTE 4 - SPECIAL ASSESSMENT RECEIVABLE

In October 1986 a special improvement district was established for the construction of a pressurized irrigation system. Funding was provided from a note through the Department of Water Resources in the amount of \$705,000, CIB grant in the amount of \$16,000, and an interest free loan from the Community Impact Board in the amount of \$134,000.

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 4 - SPECIAL ASSESSMENT RECEIVABLE (CONTINUED)

Special assessments of \$899,844 were assessed to those within the district to be repaid monthly to Gunnison City over 20 years at 5% interest. Special assessment payments to Gunnison City began in November 1986. The balance of special assessments receivable at June 30, 2005, was \$38,218.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	50,100	33,400	-	83,500
Land Related to Infrastructure	<u>17,939</u>	<u>-</u>	<u>-</u>	<u>17,939</u>
 Total Capital Assets Not Being Depreciated	 <u>68,039</u>	 <u>33,400</u>	 <u>-</u>	 <u>101,439</u>
 Capital Assets Being Depreciated:				
Buildings	2,900,500	35,000	-	2,935,500
Improvements	59,523	-	-	59,523
Equipment	43,795	-	-	43,795
Vehicles	424,800	25,000	-	449,800
Infrastructure	<u>2,594,348</u>	<u>-</u>	<u>-</u>	<u>2,594,348</u>
 Total Capital Assets Being Depreciated	 <u>6,022,966</u>	 <u>60,000</u>	 <u>-</u>	 <u>6,082,966</u>
 Less Accumulated Depreciation For:				
Buildings	644,479	58,710	-	703,189
Improvements	1,588	1,190	-	2,778
Equipment	16,746	2,759	-	19,505
Vehicles	178,075	30,266	-	208,341
Infrastructure	<u>1,793,883</u>	<u>87,651</u>	<u>-</u>	<u>1,881,534</u>
 Total Accumulated Depreciation	 <u>2,634,771</u>	 <u>180,576</u>	 <u>-</u>	 <u>2,815,347</u>
 Total Capital Assets Being Depreciated (Net)	 <u>3,388,195</u>	 <u>(120,576)</u>	 <u>-</u>	 <u>3,267,619</u>
 Governmental Activities Capital Assets, Net	 <u>3,456,234</u>	 <u>(87,176)</u>	 <u>-</u>	 <u>3,369,058</u>

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Water Rights	345,000	-	-	345,000
Const. In Progress - Sewer	-	956,051	-	956,051
Const. In Progress - Irrigation	<u>1,236,976</u>	<u>30,974</u>	<u>1,267,950</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>1,581,976</u>	<u>987,025</u>	<u>1,267,950</u>	<u>1,301,051</u>
Capital Assets Being Depreciated:				
Buildings	13,513	-	-	13,513
Utility Systems	2,931,106	1,267,950	-	4,199,056
Equipment	<u>179,111</u>	<u>-</u>	<u>-</u>	<u>179,111</u>
Total Capital Assets Being Depreciated	<u>3,123,730</u>	<u>1,267,950</u>	<u>-</u>	<u>4,391,680</u>
Less Accumulated Depreciation For:				
Buildings	9,213	509	-	9,722
Utility Systems	981,584	82,276	-	1,063,860
Equipment	<u>141,719</u>	<u>6,668</u>	<u>-</u>	<u>148,387</u>
Total Accumulated Depreciation	<u>1,132,516</u>	<u>89,453</u>	<u>-</u>	<u>1,221,969</u>
Total Capital Assets Being Depreciated (Net)	<u>1,991,214</u>	<u>1,178,497</u>	<u>-</u>	<u>3,169,711</u>
Business Type Activities Capital Assets, Net	<u>3,573,190</u>	<u>2,165,522</u>	<u>1,267,950</u>	<u>4,470,762</u>
Total Assets - Government Wide	<u><u>7,029,424</u></u>	<u><u>2,078,346</u></u>	<u><u>1,267,950</u></u>	<u><u>7,839,820</u></u>

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	11,628	-	11,628
Public Safety	29,328	-	29,328
Public Health	-	89,453	89,453
Highways and Public Improvements	89,911	-	89,911
Parks and Recreation	49,709	-	49,709
 Total Depreciation Expense	 <u>180,576</u>	 <u>89,453</u>	 <u>270,029</u>

NOTE 6 - LONG-TERM DEBT

Governmental Long-Term Debt:

General Obligation Recreation Bond, Series 1998:

On March 23, 1998, the City adopted a bond resolution authorizing the issuance of \$900,000 General Obligation Recreation Bond, Series 1998 bearing interest at 2% per annum, 23 year term, to pay the cost of construction of a municipal swimming pool complex for the City. The bond was purchased by the Permanent Community Impact Board on May 15, 1998. The balance of the bond at year end was \$704,000.

The following is a schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005 - 2006	35,000	14,080	49,080
2006 - 2007	36,000	13,380	49,380
2007 - 2008	37,000	12,680	49,680
2008 - 2009	37,000	11,920	48,920
2009 - 2010	38,000	11,180	49,180
2011 - 2015	202,000	44,160	246,160
2016 - 2020	224,000	23,300	247,300
2021 - 2025	95,000	2,860	97,860
 Total	 <u>704,000</u>	 <u>133,560</u>	 <u>837,560</u>

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Recreation Revenue Bond, Series 1998:

On March 23, 1998, the City adopted a bond resolution authorizing the issuance of \$720,000 Recreation Revenue Bonds, Series 1998 bearing interest at 2% per annum, 30 year term, to pay the cost of construction of a municipal swimming pool complex for the City. The bond was purchased by the Permanent Community Impact Board on May 15, 1998. The balance at year end was \$665,000.

The following is a schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005 - 2006	10,000	13,300	23,300
2006 - 2007	10,000	13,100	23,100
2007 - 2008	10,000	12,900	22,900
2008 - 2009	10,000	12,700	22,700
2009 - 2010	11,000	12,500	23,500
2011 - 2015	57,000	59,180	116,180
2016 - 2020	62,000	53,280	115,280
2021 - 2025	219,000	43,820	262,820
2026 - 2030	276,000	13,940	289,940
	<u>665,000</u>	<u>234,720</u>	<u>899,720</u>
Total			

Note Payable - State of Utah:

During 2001 the City borrowed \$60,000 from the State of Utah, Department of Community and Economic Development, Office of Energy Services, for the purpose of acquiring solar panels and a pool cover for the swimming pool. The Contract calls for semi-annual payments of \$3,750 with no interest. The balance at June 30, 2005 was \$33,750.

The following is an amortization schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005 - 2006	7,500	-	7,500
2006 - 2007	7,500	-	7,500
2007 - 2008	7,500	-	7,500
2008 - 2009	7,500	-	7,500
2009 - 2010	3,750	-	3,750
	<u>33,750</u>	<u>-</u>	<u>33,750</u>
Total			

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in Governmental Long-Term Debt payable:

	Date of Issue	Interest Rate	Total Authorized	Outstanding June 30, 2004	Current Year Changes		Outstanding June 30, 2005
					Issued	Matured	
Bonds:							
GO Recreation Bonds-Series 1998	1998	2%	900,000	738,000	-	34,000	704,000
Recreation Revenue Bonds-Series 1998	1998	2%	720,000	675,000	-	10,000	665,000
Total Bonds Payable				1,413,000	-	44,000	1,369,000
Note Payable:							
State of Utah	2001	0%	60,000	41,250	-	7,500	33,750
Total Governmental Long-Term Debt				1,454,250	-	51,500	1,402,750

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is an amortization of Governmental Long-Term Debt to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005 - 2006	52,500	27,380	79,880
2006 - 2007	53,500	26,480	79,980
2007 - 2008	54,500	25,580	80,080
2008 - 2009	54,500	24,620	79,120
2009 - 2010	52,750	23,680	76,430
2011 - 2015	259,000	103,340	362,340
2016 - 2020	286,000	76,580	362,580
2021 - 2025	314,000	46,680	360,680
2026 - 2030	<u>276,000</u>	<u>13,940</u>	<u>289,940</u>
	<u>1,402,750</u>	<u>368,280</u>	<u>1,771,030</u>

Utility Long-Term Debt:

Bonds:

Water Revenue Bonds - Series 1991A:

The City issued water revenue bonds in the amount of \$300,000 at 0% interest. The bond is payable in 25 annual installments of \$12,000. The balance at June 30, 2005, was \$144,000.

The following is an amortization schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
January 2006	12,000	-	12,000
January 2007	12,000	-	12,000
January 2008	12,000	-	12,000
January 2009	12,000	-	12,000
January 2010	12,000	-	12,000
January 2011 - 2015	60,000	-	60,000
January 2016 - 2020	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Total	<u>144,000</u>	<u>-</u>	<u>144,000</u>

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Water Revenue Bonds - Series 1991B:

The City issued water revenue bonds in the amount of \$300,000 at 0% interest. The bond is payable in 20 annual installments. The balance at June 30, 2005, was \$139,000.

The following is an amortization schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
January 2006	13,000	-	13,000
January 2007	13,000	-	13,000
January 2008	13,000	-	13,000
January 2009	25,000	-	25,000
January 2010	25,000	-	25,000
January 2011 - 2012	50,000	-	50,000
Total	<u>139,000</u>	<u>-</u>	<u>139,000</u>

The bond resolution approved in conjunction with the issuance of the Gunnison City Water and Sewer revenue bonds provides, among other things, that certain funds be established and that certain accounting procedures be followed. Under the terms of the resolution the City irrevocably pledged net revenues of the utilities to the payment of the bonds and covenanted that rates will be established to yield net revenues, as defined, equal to at least the debt service to become due in the next fiscal year.

Water Revenue Bonds - Series 2003:

During 2003 the City issued water revenue bonds in the amount of \$477,000 for the purpose of financing all or portion of the costs of constructing secondary irrigation water system improvements and related improvements. The bonds include interest at 1% and require yearly payments. The balance at June 30, 2005 was \$463,000.

The following is a schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005 - 2006	7,000	4,630	11,630
2006 - 2007	7,000	4,560	11,560
2007 - 2008	7,000	4,490	11,490
2008 - 2009	7,000	4,420	11,420
2009 - 2010	8,000	4,340	12,340
2011 - 2015	75,000	169,880	244,880
2016 - 2020	168,000	13,300	181,300
2021 - 2025	184,000	3,330	187,330
Total	<u>463,000</u>	<u>208,950</u>	<u>671,950</u>

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of bond transactions of the City for the year ended June 30, 2005:

	<u>Bonds Payable June 30, 2004</u>	<u>Bonds Issued</u>	<u>Bonds Retired</u>	<u>Bonds Payable June 30, 2005</u>
Water Revenue Series A	156,000	-	12,000	144,000
Water Revenue Series B	152,000	-	13,000	139,000
Water Revenue Series 2003	<u>470,000</u>	<u>-</u>	<u>7,000</u>	<u>463,000</u>
Totals	<u>778,000</u>	<u>-</u>	<u>32,000</u>	<u>746,000</u>

Note Payable - Permanent Community Impact Fund Board:

On September 5, 1985, the Permanent Community Impact Board loaned Gunnison City \$134,000 with no interest, to be repaid in annual payments of \$5,826 starting July 1, 1987 and ending with a final payment on July 1, 2009. The balance of the loan at June 30, 2005 was \$23,304.

A five year summary of debt service charges to maturity is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
July 1, 2005	5,826	-	5,826
July 1, 2006	5,826	-	5,826
July 1, 2007	5,826	-	5,826
July 1, 2008	<u>5,826</u>	<u>-</u>	<u>5,826</u>
Total	<u>23,304</u>	<u>-</u>	<u>23,304</u>

The following is an amortization of Utility Long-Term Debt to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005 - 2006	37,826	4,630	42,456
2006 - 2007	37,826	4,560	42,386
2007 - 2008	37,826	4,490	42,316
2008 - 2009	49,826	4,420	54,246
2009 - 2010	45,000	4,340	49,340
2011 - 2015	185,000	169,880	354,880
2016 - 2020	192,000	13,300	205,300
2021 - 2025	<u>184,000</u>	<u>3,330</u>	<u>187,330</u>
Total	<u>769,304</u>	<u>208,950</u>	<u>978,254</u>

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in Utility Bonds and Notes payable:

	Date of Issue	Interest Rate	Total Authorized	Outstanding June 30, 2004	Current Year Changes		Outstanding June 30, 2005
					Issued	Matured	
Bonds:							
Water Revenue Bonds - Series A	1991	0%	300,000	156,000	-	12,000	144,000
Water Revenue Bonds - Series B	1991	0%	300,000	152,000	-	13,000	139,000
Water Revenue Bonds - Series 2003	2003	1%	477,000	470,000	-	7,000	463,000
Total Bonds Payable			1,077,000	778,000	-	32,000	746,000
Notes:							
Community Impact Board	1985	0%	134,000	29,130	-	5,826	23,304
Total Notes Payable			134,000	29,130	-	5,826	23,304
Total Long Term Debt			1,211,000	807,130	-	37,826	769,304

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Compensated Absences:

Compensated absences represents accrued vacation and sick leave at June 30, 2005, of \$14,166. The following is a statement of changed in compensated absences.

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated Absences	<u>12,848</u>	<u>1,318</u>	<u>-</u>	<u>14,166</u>

NOTE 7 - IMPACT FEES

On March 5, 2003, Gunnison City passed ordinance 3003-4 establishing development impact fees for culinary and wastewater facilities. The service area is all incorporated areas of the City, including future annexed areas.

The residential impact fee for waste water facilities is \$1,985.00.

The residential impact fee for culinary water facilities is \$1,736.52.

Other impact fees detailed in the ordinance are available at the City offices. Impact fees collected during the year including interest was \$32,565.

NOTE 8 - CLASS C ROAD FUND

The following is a statement of revenues and expenditures in Class "C" Roads:

Fund Balance - Beginning of Year	172,000
Revenue:	
State Allotment	90,561
Interest Earned	<u>3,260</u>
Total Revenue	93,821
Expenditures:	
Road Construction and Maintenance	<u>(65,821)</u>
Fund Balance - End of Year	<u>200,000</u>

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 9 - SPECIAL REVENUE FUND

Statement of revenues and expenditures in the Swimming Pool Special Revenue Fund:

Revenues:	
6% Utility Franchise Fees	145,210
Swimming Pool Fees	30,716
Swimming Pool Rental and Lessons	8,749
Other Revenue	1,411
Interest Revenue	<u>618</u>
Total Operating Revenue	<u>186,704</u>
Expenditures:	
Salaries and Wages	58,498
Fringe Benefits	14,109
Office Expense	351
Supplies and Maintenance	26,495
Telephone	521
Power	13,197
Heating Fuel	16,976
Insurance	6,300
Other Supplies	<u>500</u>
Total Operating Expenditures	<u>136,947</u>
Excess Revenues Over (Under) Expenditures	<u>49,757</u>
Other Financing Sources (Uses):	
Donations	10,000
Note Principal Payment	(7,500)
Bond Principal Payment	(44,000)
Bond Interest Payment	<u>(28,260)</u>
Total Other Financing Sources (Uses)	<u>(69,760)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(20,003)
Fund Balance - Beginning of Year	<u>48,873</u>
Fund Balance - End of Year	<u><u>28,870</u></u>

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 10 - PENSION PLAN

Local Governmental - Cost Sharing:

Plan Description:

Gunnison City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Noncontributory Retirement System for employers with Social Security coverage both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Gunnison City is required to contribute a percent of covered salary to the respective systems; 11.09% to the Noncontributory and 19.08% to the Public Safety Other Division A Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Gunnison City contributions to the various systems for the years ending June 30, 2005, 2004 and 2003, respectively were; for the Noncontributory System, \$18,001.37, \$15,461.93 and \$14,748.53, and for the Public Safety Other Division A Noncontributory System, \$12,977.87, \$6,388.65 and \$4,924.12 respectively. The contributions were equal to the required contributions for each year.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries and disasters. The City is insured through the Utah Local Government Trust for general liability coverage. The broad comprehensive general liability insurance provides Gunnison City with \$2,000,000 combined single limits comprehensive general liability protection covering all locations and operations; errors and omissions liability protection for public officials and city personnel; law enforcement liability; city fire department and EMT liability; personal injury liability; employee benefits liability, etal.

GUNNISON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 11 - RISK MANAGEMENT (CONTINUED)

The policy also covers liability on automobiles and hired and non-owned automobile liability. A \$500 deductible applies. No-fault protection and uninsured motorist as well as under-insured motorist coverage's are also provided.

The City is insured for property and equipment loss through the Trust also. The coverage is for all buildings and equipment owned by the City. The coverage is for replacement cost with a \$1,000 deductible.

Claims have not exceeded coverage in any of the last three calendar years.

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is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**GUNNISON CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2004	<u>372,049</u>	<u>372,049</u>	<u>372,049</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	62,000	62,000	62,029	29
Prior Years Taxes	6,000	7,000	9,752	2,752
Fee-In-Lieu	24,000	23,000	22,960	(40)
General Sales and Use Taxes	260,000	260,000	278,626	18,626
Road Sales Tax	48,000	48,000	50,870	2,870
Library Taxes	<u>5,400</u>	<u>5,400</u>	<u>5,400</u>	<u>-</u>
Total Taxes	<u>405,400</u>	<u>405,400</u>	<u>429,637</u>	<u>24,237</u>
Licenses and Permits:				
Business Licenses	10,200	10,200	10,698	498
Animal Licenses	<u>2,400</u>	<u>2,400</u>	<u>2,805</u>	<u>405</u>
Total Licenses and Permits	<u>12,600</u>	<u>12,600</u>	<u>13,503</u>	<u>903</u>
Intergovernmental Revenue:				
State Grants	-	23,582	20,328	(3,254)
Fire Protection	47,000	47,000	38,309	(8,691)
Class C Road	87,000	87,000	90,561	3,561
State Liquor Allotment	<u>1,000</u>	<u>2,100</u>	<u>2,100</u>	<u>-</u>
Total Intergovernmental Revenue	<u>135,000</u>	<u>159,682</u>	<u>151,298</u>	<u>(8,384)</u>
Fines and Forfeitures:				
Court	<u>36,000</u>	<u>30,000</u>	<u>23,693</u>	<u>(6,307)</u>

Continued

GUNNISON CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Resources (Inflows) Continued:				
Charges for Services:				
Library	3,650	8,616	8,598	(18)
Police	-	600	270	(330)
Parks and Recreation	1,800	6,641	6,641	-
Cemetery	2,500	3,184	3,182	(2)
Total Charges for Services	7,950	19,041	18,691	(350)
Miscellaneous Revenue:				
Senior Citizen Reimbursement	-	3,800	4,815	1,015
Rents and Concessions	8,620	5,455	5,715	260
Interest	4,000	8,000	8,628	628
Other Unclassified	60,000	30,500	56,310	25,810
Use of Surplus	-	115,522	-	(115,522)
Total Miscellaneous Revenue	72,620	163,277	75,468	(87,809)
Amounts Available for Appropriation	1,041,619	1,162,049	1,084,339	(77,710)
Charges to Appropriations (Outflows):				
General Government:				
City Council	60,700	54,700	53,544	1,156
Precinct Courts	29,000	26,244	26,056	188
Auditor	5,000	5,000	5,000	0
Treasurer	8,500	8,100	8,071	29
Recorder	43,500	43,500	43,428	72
Government Buildings	20,000	20,000	14,273	5,727
Economic Development	10,500	56,971	52,858	4,113
Building Maintenance	4,500	4,000	3,932	68
Total General Government	181,700	218,515	207,162	11,353

Continued

**GUNNISON CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Charges to Appropriations (Outflows) Continued:				
Public Safety:				
Law Enforcement	161,000	162,306	162,239	67
Liquor Law Enforcement	1,000	2,100	299	1,801
Fire Department	38,000	69,763	69,575	188
Animal Control	2,500	3,200	3,178	22
Total Public Safety	<u>202,500</u>	<u>237,369</u>	<u>235,291</u>	<u>2,078</u>
Streets and Public Improvements:				
Streets and Highways	68,000	75,050	52,589	22,461
Class C roads	<u>87,000</u>	<u>66,000</u>	<u>65,821</u>	<u>179</u>
Total Highways and Public Improvements	<u>155,000</u>	<u>141,050</u>	<u>118,410</u>	<u>22,640</u>
Culture and Recreation:				
Parks	27,000	37,965	62,745	(24,780)
Library	21,150	34,755	28,228	6,527
Recreation	5,030	5,030	5,009	21
Cemetery	32,000	35,402	33,424	1,978
Airport	<u>1,550</u>	<u>2,185</u>	<u>1,553</u>	<u>632</u>
Total Culture and Recreation	<u>86,730</u>	<u>115,337</u>	<u>130,959</u>	<u>(15,622)</u>
Nondepartmental:				
Transfer to Capital Projects Fund	<u>10,000</u>	<u>77,729</u>	<u>114,729</u>	<u>(37,000)</u>
Total Charges to Appropriations	<u>635,930</u>	<u>790,000</u>	<u>806,551</u>	<u>(16,551)</u>
Budgetary Fund Balance - June 30, 2005	<u>405,689</u>	<u>372,049</u>	<u>277,788</u>	<u>(94,261)</u>

GUNNISON CITY
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Budgetary Fund Balance, July 1, 2004	<u>48,873</u>	<u>48,873</u>	<u>48,873</u>	<u>-</u>
Resources (Inflows):				
Swimming Pool Revenues	38,500	39,000	39,465	465
Utility Fees	130,000	126,000	125,660	(340)
Cell Phone Tax	20,000	20,000	19,550	(450)
Contributions	28,000	20,000	10,000	(10,000)
Interest	500	550	618	68
Miscellaneous	<u>1,500</u>	<u>11,450</u>	<u>1,411</u>	<u>(10,039)</u>
Total Resources (Inflows)	<u>218,500</u>	<u>217,000</u>	<u>196,704</u>	<u>(20,296)</u>
Amounts Available for Appropriation	<u>267,373</u>	<u>265,873</u>	<u>245,577</u>	<u>(20,296)</u>
Charges to Appropriations (Outflows):				
Salaries and Benefits	74,000	72,610	72,607	3
Materials and Supplies	25,900	27,580	27,345	235
Utilities	32,600	30,750	30,695	55
Insurance	6,500	6,300	6,300	-
Debt Service	<u>79,500</u>	<u>79,760</u>	<u>79,760</u>	<u>-</u>
Total Charges to Appropriations	<u>218,500</u>	<u>217,000</u>	<u>216,707</u>	<u>293</u>
Budgetary Fund Balance - June 30, 2005	<u><u>48,873</u></u>	<u><u>48,873</u></u>	<u><u>28,870</u></u>	<u><u>(20,003)</u></u>

**GUNNISON CITY
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows and Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	1,084,340	245,577
Differences - Budget to GAAP:		
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(372,049)</u>	<u>(48,873)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>712,291</u>	<u>196,704</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	806,551	216,707
Differences - Budget to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(114,729)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>691,822</u>	<u>216,707</u>

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

**GUNNISON CITY
NONMAJOR GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

CAPITAL PROJECTS FUND

Capital Projects Fund:

Capital Projects Funds are used to account for monies received for construction or acquisition of capital assets.

PERMANENT FUND

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care Fund:

This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

**GUNNISON CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2005

	Capital Projects Fund	Permanent Fund Perpetual Care	Total Nonmajor Government Funds
ASSETS			
Cash and Cash Equivalents	<u>125,031</u>	<u>17,647</u>	<u>142,678</u>
TOTAL ASSETS	<u><u>125,031</u></u>	<u><u>17,647</u></u>	<u><u>142,678</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Unreserved, Reported in:			
Capital Projects Fund	125,031	-	125,031
Perpetual Care Fund	<u>-</u>	<u>17,647</u>	<u>17,647</u>
Total Fund Balances	<u><u>125,031</u></u>	<u><u>17,647</u></u>	<u><u>142,678</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>125,031</u></u>	<u><u>17,647</u></u>	<u><u>142,678</u></u>

GUNNISON CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For The Year Ended June 30, 2005

	Capital Projects Fund	Permanent Fund Perpetual Care	Total Nonmajor Government Funds
Revenues:			
Perpetual Care	-	1,596	1,596
Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	-	1,596	1,596
Other Financing Sources (Uses):			
Transfer From General Fund	114,729	-	114,729
Net Change in Fund Balance	114,729	1,596	116,325
Fund Balances - Beginning	10,302	16,051	26,353
Fund Balances - Ending	<u>125,031</u>	<u>17,647</u>	<u>142,678</u>

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
Gunnison City
Gunnison, Utah 84634

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gunnison City as and for the year ended June 30, 2005, which collectively comprise Gunnison City's basic financial statements and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gunnison City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gunnison City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Gunnison City in a separate letter dated October 14, 2005.

Honorable Mayor and City Council
Gunnison City
Page -2-

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

October 14, 2005
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Gunnison City
Gunnison, Utah 84634

We have audited the financial statements of Gunnison City, for the fiscal year ended June 30, 2005, and have issued our report thereon dated October 14, 2005. As part of our audit, we have audited Gunnison City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Gunnison City's financial statements.)

Library Development Grant (Utah State Library Board)
Arbor Day Grant (Department of Natural Resources)
Fire Grant (Utah Department of Natural Resources)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

The management of Gunnison City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

**GUNNISON CITY
MANAGEMENT LETTER
JUNE 30, 2005**

Kimball & Roberts

Certified Public Accountants
A Professional Corporation
Box 663
Richfield, Utah 84701
Phone 896-6488

FINDINGS AND RECOMMENDATIONS

Honorable Mayor and City Council
Gunnison City
Gunnison, Utah 84634

During our audit of the funds of Gunnison City for the fiscal year ended June 30, 2005, we noted an area needing corrective action in order for the City to be in compliance with state laws and regulations. This item is discussed below for your consideration.

COMPLIANCE:

Budgetary Compliance

According to State law, officers and employees of an entity cannot incur expenditures in excess of the total appropriation for any department or fund.

Finding:

During our audit we noted that the City's expenditures in the parks department exceeded the adopted budget amounts.

Recommendation:

We recommend that when anticipated revenues or expenditures are more than the adopted budget, a public hearing be held and the budget increased for the additional revenues or expenditures to avoid exceeding the adopted budget in any department.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Gunnison City's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,

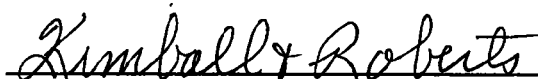

KIMBALL & ROBERTS
Certified Public Accountants

October 14, 2005
Richfield, Utah

Honorable Mayor and City Council
Gunnison City
Page -2-

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Gunnison City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

October 14, 2005
Richfield, Utah